

SENATE BILL REPORT

ESHB 2254

As Reported by Senate Committee On:
Ways & Means, April 2, 2009

Title: An act relating to construction financing for state colleges and universities.

Brief Description: Concerning construction financing for colleges and universities.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives White, Dunshee and Kenney; by request of Office of Financial Management).

Brief History: Passed House: 3/10/09, 60-36.

Committee Activity: Ways & Means: 4/02/09 [DPA, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Pridemore, Regala and Rockefeller.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell, Honeyford, Parlette, Pflug and Schoesler.

Staff: Tim Yowell (786-7435)

Background: A certificate of participation (COP) is a securitized financing contract that state and local agencies sometimes use to purchase equipment or construct facilities. When authorized for use by a state agency, COPs are financed by dedicated revenues outside the General Fund, and do not constitute an obligation of general state revenue for purposes of calculating the state debt limit. The Governor's proposed 2009-11 Capital Budget includes \$225 million of higher education construction projects that would be financed by COPs payable from institutional building or capital projects accounts.

Each of the six public four-year colleges and universities has a dedicated state building or capital projects account, as does the community and technical college system as a whole. The building fee portion of the tuition paid by students attending the college or university is deposited into this account, as are revenues from the trust lands set aside at statehood or by subsequent legislative acts for the exclusive benefit of the particular type of institution.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Building and capital project accounts are subject to appropriation by the Legislature, and by statute may be used for acquiring, constructing, maintaining, and equipping buildings and other capital assets at the institution. Current law allows the use of building and capital accounts for the payment of debt service on bonds, but does not specifically authorize their use for COPs.

Summary of Bill (Recommended Amendments): Higher education building and capital project accounts may be used for COP debt service payments. The University of Washington and Washington State University building accounts may additionally be used for debt service on bonds issued for capital construction or acquisition projects authorized by the Legislature. Expenditures from the University of Washington and the Washington State University Bond Retirement Funds do not require an appropriation in order to pay debt service on such authorized projects.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Amendments): Any revenue available in building accounts, rather than only such revenue as is generated by student building fees, may be used for COP or bond debt service. The nonappropriated status of expenditures from the bond retirement funds is clarified. Authorization for the University of Washington and Washington State University to use building fees to finance bonds issued against accounts other than the bond retirement funds is dropped.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: None.

Persons Testifying: No one.